

COUNTY OF MILWAUKEE
LIST OF PRINCIPAL OFFICIALS

ELECTED

County Executive	-	Scott Walker
County Treasurer	-	Daniel Diliberti
District Attorney	-	John T. Chisholm
County Clerk	-	Mark Ryan
Clerk of Courts	-	John Barrett
Sheriff	-	David A. Clarke Jr.
Register of Deeds	-	John La Fave

Supervisors and Their District by Number

1- Theodore A. Lipscomb	11- Mark A. Borkowski
2- Toni M. Clark	12- Peggy West
3- Gerry P. Broderick	13- Willie Johnson, Jr.
4- Marina Dimitrijevic	14- Christopher J. Larson
5- Lee Holloway	15- Lynne D. De Bruin
6- Joseph Rice	16- John F. Weishan, Jr.
7- Michael Mayo, Sr.	17- Joe Sanfelippo
8- Patricia Jursik	18- Johnny L. Thomas
9- Paul M. Cesarz	19- Jim Schmitt
10- Elizabeth M. Coggs-Jones	

APPOINTED

Departments

Title

Human Services	Director	Corey Hoze
Mental Health Division	Administrator	Jim Hill
Circuit Courts	Chief Judge	Kitty K. Brennan
Corporation Counsel	Corporation Counsel	William Domina
Administration	Director	Cynthia Archer
Audit	Director	Jerome Heer
Labor Relations	Director	Gregory L. Gracz
Human Resources	Director	Dr. Karen R. Jackson
Transportation and Public Works	Director	George A. Torres
Family Court Commissioner	Commissioner	Michael J. Bruch

COUNTY OF MILWAUKEE
LIST OF PRINCIPAL OFFICIALS

APPOINTED Continued

<u>Departments</u>	<u>Title</u>	
House of Correction	Superintendent	Ronald Malone
Medical Examiner	Medical Examiner	Dr. Christopher Happy
Parks, Recreation, and Culture	Parks Director	Susan Black
Register in Probate	Register in Probate	Robert R. Knoll
Zoological Department	Director	Charles Wikenhauser

FINANCIAL SECTION

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of and for the year ended December 31, 2008, which collectively comprise the County of Milwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Milwaukee County War Memorial Center, Inc., the Marcus Center for the Performing Arts, and the Milwaukee County Research Park Corporation, which represent 40 percent and 37 percent, respectively, of the assets and the operating revenues of the discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Milwaukee County War Memorial Center, Inc., the Marcus Center for the Performing Arts, and the Milwaukee County Research Park Corporation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions. The financial statements of the Milwaukee Public Museum, Inc., the Milwaukee County War Memorial Center, Inc., the Marcus Center for the Performing Arts and the Milwaukee County Research Park Corporation were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

As described in Note 1, the County of Milwaukee has implemented Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*, as of December 31, 2008.

In accordance with *Government Auditing Standards*, we have issued our report dated July 23, 2009 on our consideration of the County of Milwaukee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information as listed on the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Milwaukee, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on such information.

Baker Tilly Vinchow Krause, LLP

Milwaukee, Wisconsin
July 23, 2009

Management's Discussion and Analysis

Required Supplementary Information

(Unaudited)

This section of the County of Milwaukee's comprehensive annual financial report provides a narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The County's assets exceeded its liabilities by \$ 332,018 on a government-wide basis as of December 31, 2008. The unrestricted net assets of the County were a negative \$ (149,170).
- For the fiscal year, program and general revenues of the County's governmental activities totaled \$ 1,132,878. Expenses totaled \$ 1,185,394 including operating transfers out of \$ 16,103.
- For 2008, revenues of the County's business-type activities were \$ 247,705 including operating transfers in of \$ 16,103. Expenses totaled \$ 252,157.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- As of December 31, 2008, the County's governmental funds reported combined ending fund balances of \$ 116,869, as compared to \$ 116,278 for the year ended December 31, 2007.
- As of December 31, 2008, unreserved fund balance for the General Fund was \$ 9,989 or 0.9% of total General Fund expenditures. At the end of the 2007 fiscal year the unreserved fund balance of the General Fund was \$ 8,290.

FINANCIAL HIGHLIGHTS (CONTINUED):

Highlights for Fund Financial Statements (Continued)

- The County's enterprise funds had combined net assets of \$ 199,145 as of December 31, 2008, compared to \$ 203,597 as of December 31, 2007.

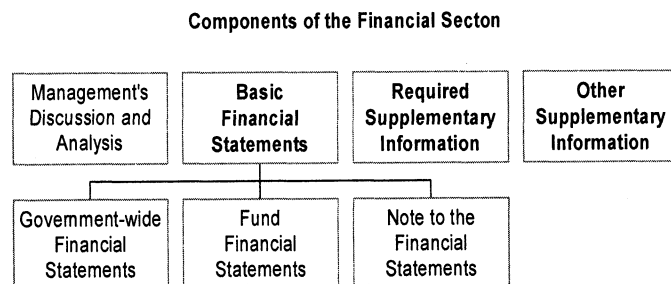
General Financial Highlights

- In June 2008, the County issued \$ 30,860 of General Obligation Bonds to finance various capital needs.
- In January 2008, the County entered into a capital lease agreement for \$4,842 of machinery and equipment designed to improve the energy efficiency of various County facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The financial section of this annual report consists of four parts: (1) management's discussion and analysis (presented here), (2) basic financial statements that includes the government-wide financial

statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.



The County's basic financial statements consist of two kinds of statements each with a different view of the County's finances. The government-wide financial statements provide both long- and short-term information about the County's overall financial status. The fund statements focus on major aspects of the County's operations, reporting those operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains the trend data pertaining to the retirement systems. Directly following this information is other supplementary information with combining and individual fund statements and schedules to provide details about the governmental, internal service, and fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of Milwaukee County's finances in a manner similar to a private-sector business.

The first government-wide statement- *the statement of net assets*- presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second statement- *the statement of activities*- presents information showing how the County's net assets changed during 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for not only current uses of cash flow but also for items that will result in cash flows in a future fiscal period (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of Milwaukee County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Milwaukee County include legislative, executive and staff, courts and judiciary services, general government, public safety, public works and highways, human services, and parks, recreation and culture. The business-type activities of Milwaukee County include the Airports and the Transit System.

The government-wide financial statements include the County's governmental and business-type activities (collectively referred to as the primary government), but also legally separate entities (known as discretely presented component units) for which the County is financially accountable. Together, the primary government and its discretely presented component units are referred to as the reporting entity. The Milwaukee Public Museum, the Milwaukee County Research Park, the Milwaukee County War Memorial Center, and the Marcus Center for Performing Arts are the County's discretely presented component units.

Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 51-53 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Milwaukee County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Milwaukee County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in other supplementary financial information. These non-major governmental funds are all special revenue funds of the County.

The County adopts an annual appropriated budget for its general fund, debt service fund, and its capital projects funds. A budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance in the basic financial statements. Budgetary comparisons for other funds with adopted budgets have been included in other supplementary financial information. In addition, a general fund budgetary comparison by department is also included in other supplementary information.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds (Continued)

The governmental fund financial statements can be found on pages 54-58 of this report.

Proprietary funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities of the Airports and the Transit System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its public works services, information management services, and its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The financial statements of the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airports and the Transit System, which are considered to be major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the other supplementary financial information.

The proprietary fund financial statements can be found on pages 59-61 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, the economic resources measurement focus and the accrual basis of accounting.

The County's fiduciary funds consist of a pension trust fund and agency funds. The pension trust fund is used to account for the assets held in trust by the County for the employees and beneficiaries of its defined pension plan- the Employees' Retirement System, and the OBRA Retirement System. The agency funds are used to account for monies received, held, and disbursed on behalf of the State of Wisconsin Court System.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Fiduciary funds (Continued)

located in the County; fee collections, as mandated by the State; social service clients; and certain other local governments.

The fiduciary fund financial statements can be found on pages 62-63 of this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

The notes can be found on pages 66-143 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees.

Required supplementary information can be found on pages 144-148 of this report.

Other Supplementary Information.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions as other supplementary information. Budgetary comparison for the major funds is also provided in this section.

Combining and individual fund statements and schedules can be found on pages 149-165 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements are provided as part of the new approach mandated by the Governmental Accounting Standards Board (GASB). GASB sets the uniform standards for presenting government financial reports. Complete comparative information is provided in this the Management's Discussion and Analysis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Milwaukee County, assets exceeded liabilities by \$ 332,018 at the close of the fiscal year. The County's net assets decreased for this fiscal year by \$ 56,968.

County of Milwaukee, Wisconsin

Net Assets

(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 553,945	\$ 542,452	\$ 92,393	\$ 110,524	\$ 646,338	\$ 652,976
Long-Term Assets	10,717	3,318	3,431	1,844	14,148	5,162
Capital Assets	627,221	620,693	354,458	360,292	981,679	980,985
Total Assets	1,191,883	1,166,463	450,282	472,660	1,642,165	1,639,123
Current Liabilities	497,632	481,335	45,034	50,994	542,666	532,329
Long-term Liabilities	561,378	499,739	206,103	218,069	767,481	717,808
Total Liabilities	1,059,010	981,074	251,137	269,063	1,310,147	1,250,137
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	222,474	207,437	177,253	182,931	399,727	390,368
Restricted	62,346	55,800	19,115	18,170	81,461	73,970
Unrestricted	(151,947)	(77,848)	2,777	2,496	(149,170)	(75,352)
Total Net Assets	\$ 132,873	\$ 185,389	\$ 199,145	\$ 203,597	\$ 332,018	\$ 388,986

The largest portion of the County's net assets reflects its investment in capital assets (e.g. land, land improvements, buildings, vehicles, equipment and infrastructure, net of depreciation and amortization) less the outstanding debt that was used to acquire those assets. For 2008, the balance of capital assets net of related debt was \$ 399,727. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Indirectly, the depreciation of capital assets is an expense for proprietary funds and therefore, as an expense, is available to be reimbursed through user fees of those funds.

The restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets at the end of 2008 totaled \$ 81,461. This amount is subject to external restrictions, some of which include debt service, airport

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

passenger facility charges (PFC) revenue and the airports capital projects. The airport PFC revenue is restricted for airport bond repayment and future airport capital needs.

The increase in the net assets restricted for Debt Service accounts for \$5,637 of the increase in restricted net assets. Transferring funds to the Debt Service Reserve requires County Board approval.

Unrestricted net assets represent the remaining amount of net assets that are neither related to capital assets nor are restricted for specific purposes. The unrestricted net assets were a negative \$ (149,170) at the end of 2008. The unrestricted net assets decreased by \$ 73,818 in 2008. A significant factor in this decrease was the recognition of \$ 59,488 in expenses during 2008 for other post-employment benefits (OPEB) costs as required by GASB Statement No. 45. OPEB expenses represent estimated post-retirement health care costs for current employees.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities

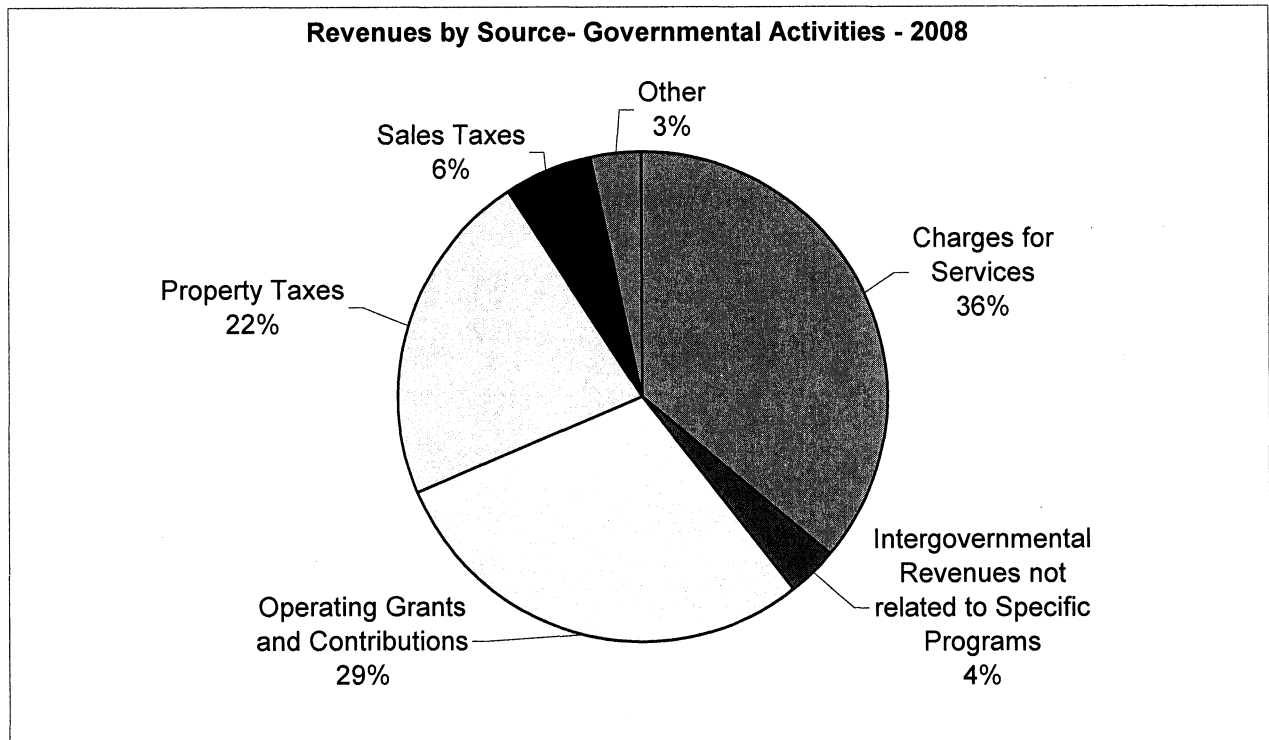
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2008 and 2007:

Summary of Changes in Net Assets (In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 407,870	\$ 372,400	\$ 130,722	\$ 117,002	\$ 538,592	\$ 489,402
Operating Grants and Contributions	329,573	340,634	88,522	82,548	418,095	423,182
Capital Grants and Contributions	6,395	3,229	10,923	9,532	17,318	12,761
General Revenues:						
Property Taxes	251,495	243,144	-	-	251,495	243,144
Sales Taxes	67,112	63,613	-	-	67,112	63,613
Intergovernmental Revenues not Related to Specific Programs	39,734	42,387	-	-	39,734	42,387
Investment Income and Rents	13,516	16,329	1,417	2,070	14,933	18,399
Gain on Sale of Capital Assets	146	96	18	29	164	125
Other-Revenue	17,037	22,997	-	-	17,037	22,997
Total Revenues	1,132,878	1,104,829	231,602	211,181	1,364,480	1,316,010
Expenses:						
Legislative, Executive, and Staff	54,395	70,318	-	-	54,395	70,318
Courts and Judiciary	67,435	64,486	-	-	67,435	64,486
General Governmental Services	8,912	8,545	-	-	8,912	8,545
Public Safety	180,186	178,063	-	-	180,186	178,063
Public Works and Highways	81,522	80,433	-	-	81,522	80,433
Human Services	675,169	637,120	-	-	675,169	637,120
Parks, Recreation, and Culture	85,321	81,779	-	-	85,321	81,779
Other	-	6,996	-	-	-	6,996
Interest	16,351	15,964	-	-	16,351	15,964
Airport	-	-	77,432	68,401	77,432	68,401
Transit	-	-	174,725	169,557	174,725	169,557
Total Expenses	1,169,291	1,143,704	252,157	237,958	1,421,448	1,381,662
Change in Net Assets Before Transfers	(36,413)	(38,875)	(20,555)	(26,777)	(56,968)	(65,652)
Transfers	(16,103)	(19,073)	16,103	19,073	-	-
Change in Net Assets	(52,516)	(57,948)	(4,452)	(7,704)	(56,968)	(65,652)
Net Assets- Beginning of the Year	185,389	243,337	203,597	211,301	388,986	454,638
Net Assets- End of the Year	\$ 132,873	\$ 185,389	\$ 199,145	\$ 203,597	\$ 332,018	\$ 388,986

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities



Revenues for the County's governmental activities were \$ 1,132,878 for the fiscal year 2008, representing an increase of \$ 28,049, or 2.5%, over fiscal year 2007. Sources of revenue for 2008 as a percentage of total revenues are shown above. Charges for Services constitute the largest source of County revenues, amounting to \$ 407,870 for fiscal year 2008, an increase of \$ 35,470 over 2007. Charges for services represent collections from those who directly benefit from County services. Department on Aging Care Maintenance Organization (CMO) revenues from Charges for Services increased by \$ 17,138 over the prior year due to an increase in the number of participants in the CMO program and an increase in the rates charged for services. Charges for Services revenue from the County's General Assistance Medical Program (GAMP) increased \$ 17,819 from the prior year due in part to the reclassification of GAMP payments from Operating Grants and Contributions to Charges for Services.

Property tax revenue increased by \$ 8,351 over the prior year; however, property tax revenue as a percent of total governmental activity revenues remained constant at 22.0%

Operating grants and contributions continue to support a significant portion of County services with \$ 329,573 of revenue in 2008. Operating grants and contributions

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

generally represent federal and state grant revenues. \$ 259,845 of the 2008 operating grants and contributions supported human service programs. As stated above, the reclassification of GAMP program payments to charges for services reduced operating grants and contributions by \$ 17,819.

Other revenue decreased \$ 5,960 due primarily to the reclassification of several revenue categories from miscellaneous revenues to charges for services and operating grants and contributions. Other revenues reported in the Statement of Activities for governmental activities are significantly lower than the amount reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds. This is due to the reclassification of other revenues in the Governmental Fund statements to appropriate functional categories in the Statement of Activities.

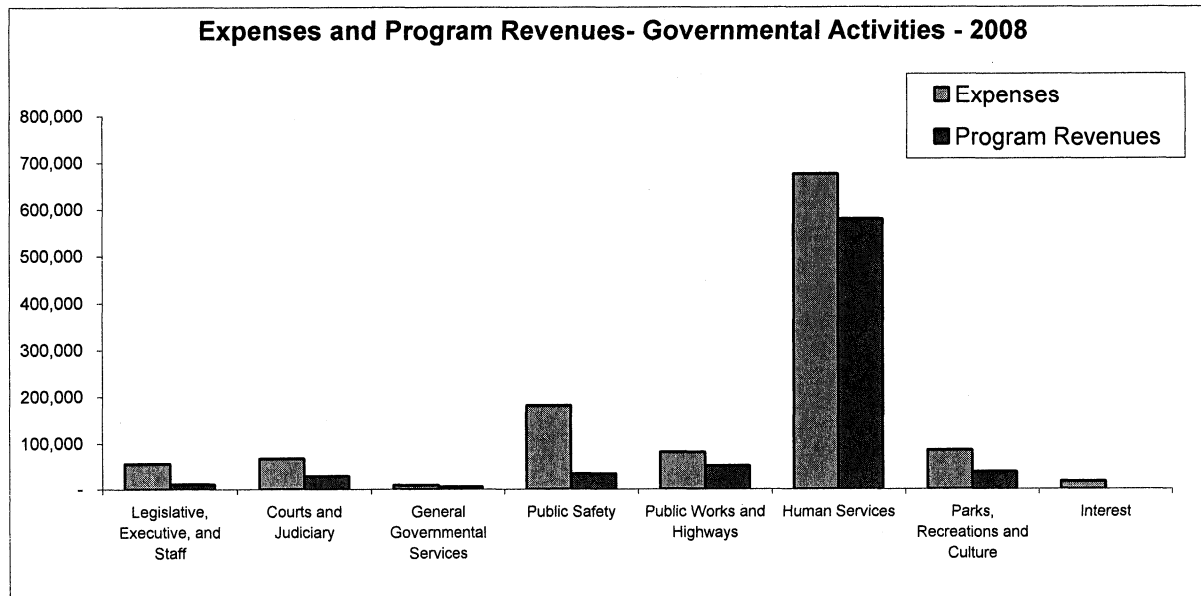
Total expenses for all of the County's governmental activities for the fiscal year 2008 were \$ 1,169,291, representing an increase of \$ 25,857 or 2.2% over 2007. As the chart below indicates, human service programs continue to represent the County's largest expense category, totaling \$ 675,169 in 2008, an increase of \$ 38,049 over 2007. In 2007, the County's Housing Division was reported as a Legislative, Executive and Staff expense. In 2008, Housing expenses were reclassified to the Human Services category accounting for \$ 17,177 of the increase in Human Services expenses and a similar decrease in Legislative, Executive and Staff expense. Aging CMO costs increased \$22,258 over the prior year due to increased participation in the program. The net tax contribution for human services in 2008 was \$ 95,412, a 2.7% decrease from 2007.

Public Safety represents the second largest expense category totaling \$ 180,186 for the operation of correctional facilities, pre-trial holding facilities, county sheriff services, the district attorney and the medical examiner. Public Safety expenses increased by \$ 2,123, or 1.2% over the prior year. The net 2008 tax contribution for Public Safety was \$ 147,083, a 3.5% decrease from the 2007.

In response to a recommendation from the Government Finance Officers Association, the County eliminated the "Other" expense category in 2008. All non-departmental expenses that had previously been reported in this category were reclassified to a functional expense category. Other expenditures are still reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds as they are considered non-departmental in nature for the County's budgeting purposes.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



Business-type activities

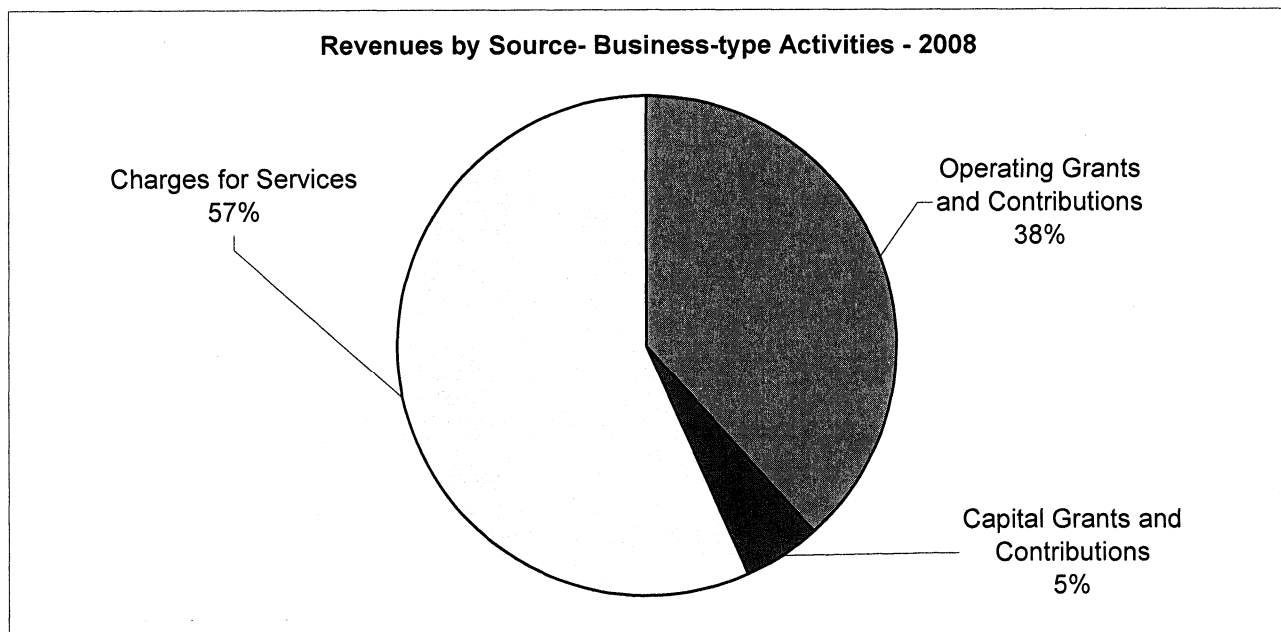
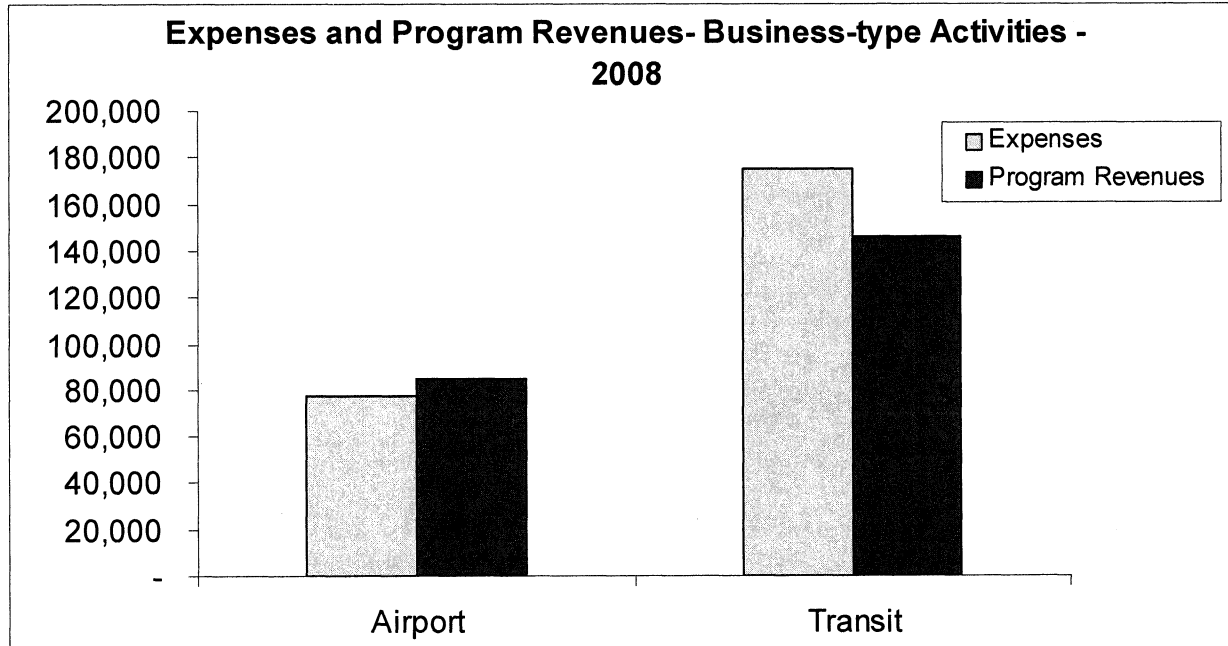
In 2008, the Airports revenue from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports, exceeded its annual operating costs by \$ 5,407. Charges for Services revenue from the Airport increased by \$ 9,662, or 15.0% over the prior year. Operating transfers are negligible for the Airports.

The Transit System requires operating assistance from the governmental activities funds to balance its revenues and expenses. Total governmental activity operating support through operating transfers for the Transit System was \$ 18,764 for fiscal year 2008. Total state and federal grants for the Transit System was \$ 88,522 for 2008, an increase of \$ 6,009 over 2007. Direct support from users of the Transit System was \$ 53,315 or 30.7% of total expenses. The Transit System used federal grant funds of \$ 21,110 to purchase capital assets and pay for maintenance parts and tires. State funding of \$ 67,375 was used to cover general operating costs.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type activities (Continued)



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2008, the County's governmental funds reported combined ending fund balances of \$ 116,869. *Unreserved fund balance* of \$ 9,989 represents 8.5% of the total fund balance, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has been committed. The reserved fund balance consists of \$ 1,012 for inventories, \$ 20,944 for encumbrances, \$ 10,757 for debt service, \$ 7,947 for 2009 appropriations, \$ 4,144 for 2010 appropriations, \$ 9,344 for the Behavioral Health Division, \$ 6,142 for the Department of Aging Care Maintenance Organization, \$ 10,487 for delinquent property taxes, and \$ 36,103 for endowments, bequests, restricted donations, and restricted user fees.

Restricted user fees are Airport passenger facilities charges (PFC) collected by airlines that are restricted for revenue bond debt and or future capital needs of the Airports. These fees are recorded in the non-major governmental funds. The general, debt service, and capital projects funds are reported as major funds.

The general fund is the chief operating fund of the County. At December 31, 2008, unreserved fund balance of the general fund was \$ 9,989 while total fund balance was \$ 49,070. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.9% of total fund expenditures, while total fund balance represents 4.3% of that same amount.

The fund balance of the County's general fund increased by \$ 796 during the 2008 fiscal year. Cost saving measures, an increase in the amount designated for delinquent property taxes, and an increase in the amount designated for investments contributed to the increase in fund balance.

The debt service fund has a total fund balance of \$ 10,757 all of which is reserved for the payment of debt service. The net increase in the debt service reserve for the current year was \$ 4,686. The reserve was used in 2007 for debt service interest costs, but was replenished with a \$ 7,125 transfer from the general fund as approved by the County Board.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (CONTINUED)

Governmental funds (Continued)

The capital projects fund has a total fund balance of \$ 11,595 all of which is reserved for commitments made on capital projects in progress. The net decrease in fund balance during the current year in the capital projects fund was \$ 6,388. The fund balance decreased in 2008 due to County expenditures of prior years' bond proceeds.

Proprietary funds.

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of 2008, unrestricted net assets of the two major funds, the Airports and the Transit System, totaled \$ 2,777. Total net assets of these same two major funds were \$ 199,145 at the end of 2008, compared to \$ 203,597 at the end of 2008. The total net assets for the Airports increased by \$ 5,917 while total net assets for the Transit System decreased by \$ 10,369.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis For the Year Ending December 31, 2008 (In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$ 317,099	\$ 317,099	\$ 318,190	\$ 1,091
Intergovernmental Revenue	360,549	376,006	355,455	(20,551)
Charges for Services	359,465	368,407	372,268	3,861
Other	50,529	55,333	45,083	(10,250)
Total	\$1,087,642	\$1,116,845	\$1,090,996	\$(25,849)
<u>Expenditures and Other Uses</u>				
Expenditures	\$1,017,840	\$1,061,887	\$1,024,112	\$ 37,775
Transfers	69,802	54,958	70,624	(15,666)
Total	\$1,087,642	\$1,116,845	\$1,094,736	\$ 22,109
Change in Fund Balance	\$ -	\$ -	\$ (3,740)	\$ (3,740)

As shown above, expenditures and other financing uses exceeded revenues and other financing sources by \$ 3,740 in the General Fund for the year ended December 31, 2008. This table is based on a budgetary basis presentation. The budgetary basis of

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets due to the inclusion of encumbrances of \$ 9,437 in expenditures offset by the inclusion of the contribution from reserves for 2008 appropriations of \$ 4,901.

Actual General Fund revenues were below the budgeted revenues by \$ 41,869 during fiscal year 2008. Variances between budget and actual amounts for taxes and intergovernmental revenues were less than 1.0% of the amount budgeted.

Intergovernmental revenues were \$ 20,551, or 5.5%, below the final budget amount for 2008. Elimination of interdepartmental charges accounts for \$10,701 of the revenue shortfall. These interdepartmental charges represent amounts charged by the County's Behavioral Health Division to the County's Department of Health and Human Services for youth wraparound services. A change in State funding for the Medical Assistance Transportation program accounts for another \$ 7,287 of the shortfall.

Other Revenues fell short of the budget by \$ 26,270, or 36.8% of the final budget amount. The elimination of interdepartmental revenues accounts for \$ 8,890 of the shortfall. The interdepartmental revenues represent amounts charged to County departments for central services including the Department of Audit, the Department of Administrative Services – Fiscal and Budget Division, and the Treasurer's Office. Revenue from sale of County-owned land was \$ 7,245 below budget in 2008. Other revenues from the House of Correction were \$ 1,831 under budget due to a delay in the expansion of the home detention program.

General Fund departmental spending was \$ 37,775, or 5.5%, below the amount budgeted while transfers to other funds exceeded the budget by \$ 15,666. The following General Fund departments were below budgeted expenditures by more than \$ 1,000 for 2008: District Attorney \$ 1,360, County Health Related Programs \$ 1,466, Department on Aging \$ 1,196, Behavioral Health Division \$ 3,533, Human Services \$ 19,711, Parks \$ 1,946, and Zoo \$ 1,105. General Fund departments that exceeded the budgeted amount by more than \$1,000 are as follows: House of Correction \$ (2,914), and Department on Aging CMO \$ (2,276).

Transfers to Other Funds represent amounts transferred to other funds such as debt service, capital projects, internal service funds, and transit. When revenues fall short of expenditures in each of these funds, the County uses non-departmental revenues such as property tax and state shared revenue to provide financial support to these other funds. The revenue is allocated through an operating transfer from the General Fund.

There are three basic reasons for variances between the original budget and the amended budget: fund transfer requests from departments, carryover of capital outlay and the associated revenue from the prior year, and carryover of encumbrances from the prior year. The encumbrance carryover process is automatic each year, and is

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

authorized by Wisconsin State statute and Milwaukee County ordinance. The carryover of capital outlay and the associated revenue is also authorized by State statute and is approved by the County Board on a preliminary basis in March and finalized in April. During the fiscal year, the County Board receives fund transfer requests from departments. These transfer requests are reviewed and approved by the County Board.

The \$ 29,203 difference between the original budget revenue of \$ 1,103,662 and the final budget revenue of \$ 1,132,865 is due primarily to the following:

- An increase of \$ 4,754 from financing for performance-based lease contracts for improvement of Department of Health and Human Services (DHHS), Parks and Zoo facilities.
- Increase of \$ 8,711 in capitation reimbursement revenue to the Dept of Aging for providing Care Management Organization (CMO) services, with an offsetting decrease in revenue of \$ 275 for non-medical assistance level of services.
- Increase in revenue of \$ 750 from Milwaukee Public Museum insurance settlement regarding long-term operational and financial solvency.
- Recognition of \$ 820 in homeland security grant revenue from the Wisconsin Office of Justice Assistance.
- Increase in revenue of \$ 3,958 resulting from additional payments received from the sale of Doyne Hospital.
- Decrease in revenue of \$ 1,109 due to the lapsing of various capital projects into the debt reserve.
- An increase of \$ 12,248 in revenue based on State contract allocations for various Department of Health and Human Services (DHHS) programs.
- An increase of \$ 628 in revenue resulting from an award of damages related to the Courthouse Annex asbestos remediation project.

The difference between the original budget expenditures of \$ 1,039,178 (before transfers) and the final budget expenditures of \$ 1,083,225 (before transfers) resulted in an increased appropriation of \$ 44,047 due primarily to the following:

- Expenditure increase of \$ 4,754 for the Department of Health and Human Services (DHHS), Parks and the Zoo to finance performance based lease contracts of \$ 4,622 and staff costs of \$ 132 for the improvement of facilities.
- Expenditure increase of \$ 8,031 for the Dept of Aging CMO services, including provider rate increases of \$ 7,555, personal service costs of \$ 229, and related administrative costs of \$ 247.
- Increase of \$ 600 in expenses for the creation, maintenance and enhancement of the County's Automated Land Information System.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

- Increase in funding of \$ 820 from a Homeland Security Grant to improve security at County facilities, improve bomb squad capabilities and enhance disaster recovery systems.
- Increase in Appropriation for Contingencies of \$ 604 for Workers Compensation expenses due to increased medical costs, increased severity of injuries and the resulting lost work time payments.
- Increase of \$ 798 in expenditures due to increased wages and social security costs resulting from a settlement with the Deputy Sheriff Association.
- An increase in expenditures of \$ 13,624 for various Department of Health and Human Services (DHHS) programs based on State contract allocations.

Transfers also represent the net budgeted funds to be provided by the General Fund to provide support to the remaining governmental fund departments, proprietary fund departments, and component units (original budget of \$ 69,802 and amended budget of \$ 54,958). The net contribution actually made by the General Fund to other funds was \$ 70,624. The General Fund collects all of the property tax and sales tax revenues of the County, which was \$ 318,607 for 2008. The General Fund also collected intergovernmental revenues not related to a specific program of \$ 39,734. These revenues are then transferred at the end of the year to the other governmental funds and the proprietary funds to offset any shortfalls between revenues and expenditures. Any gains in these same funds are returned to the General Fund, except for the Airport, which is required to maintain any gains or losses as part of its lease agreements and revenue bond agreements. The change in transfers between the original budget and the amended budget is due to the net changes in carryovers and encumbrances between years, and any net transfers made from the general fund to proprietary fund departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Milwaukee County's investment in capital assets for its governmental and business-type activities as of December 31, 2008 was \$ 981,679 (net of accumulated depreciation of \$ 947,781). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure and leased equipment. All infrastructure assets of the County are included in this report. The County's total investment in capital assets for the current fiscal year decreased by 0.3% (a 1.0% increase in governmental activities and a 1.4% decrease for business-type activities).

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Major capital asset events in the current year included the following:

- Transportation and Public Works projects comprised the largest functional area of capital projects in 2008. Major projects included bridge repairs throughout the County for \$ 3,568, reconstruction on West Good Hope Road for \$ 4,486, Hampton Avenue reconstruction for \$ 1,863, and Mill Road reconstruction for \$2,458.
- Major Parks projects included the Lincoln Park Family Aquatic Center for \$ 2,288 and improvements to the Wilson Park Recreation center for \$ 1,156.
- The Airport continued improvements on its inline baggage screening system in 2008 for \$ 5,258.
- The County's Fleet Division invested \$ 8,701 in new vehicles and equipment for the Sheriff's Department, Parks and the Airport.

Milwaukee County's Capital Assets

(Net)

(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 59,521	\$ 59,520	\$ 21,367	\$ 21,366	\$ 80,888	\$ 80,886
Land Improvements	114,005	109,708	60,701	55,424	174,706	165,132
Building and Improvements	305,100	307,924	208,398	205,645	513,498	513,569
Infrastructure	86,964	78,860	-	-	86,964	78,860
Machinery, Vehicles & Equipment	53,375	46,594	50,237	61,411	103,612	108,005
Construction in Progress	8,256	18,087	13,755	16,446	22,011	34,533
Total	\$ 627,221	\$ 620,693	\$ 354,458	\$ 360,292	\$ 981,679	\$ 980,985

Additional information on the County's capital assets can be found in Note 5 on pages 102-108 of this report.

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CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-term debt

At December 31, 2008, the County had total debt outstanding of \$ 614,076. Of this amount, \$ 437,261 comprised of general obligation bonds and \$ 176,815 of airport revenue bonds.

**Milwaukee County's Outstanding Debt
General Obligation and Revenues Bonds
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 410,818	\$ 422,851	\$ 26,443	\$ 29,475	\$ 437,261	\$ 452,326
Revenue Bonds	-	-	176,815	184,213	176,815	184,213
Totals	\$ 410,818	\$ 422,851	\$ 203,258	\$ 213,688	\$ 614,076	\$ 636,539

The County's total debt decreased by \$ 22,463 during the year ended December 31, 2008. This decrease is a combination of a net decrease in revenue bonds of \$ 7,398 and a net decrease in general obligation bonds of \$ 15,065. General obligation bond principal payments exceeded the proceeds received from newly issued general obligation bonds therefore general obligation debt decreased.

New general obligation bonds were issued in June 2008 for \$ 30,860 to finance the following capital projects: parks, recreation and culture \$ 11,047, highways and bridges \$ 8,333; human services \$ 1,871, public safety \$ 1,152, general government buildings and related improvements for \$ 8,457.

Additional information on the County's long-term debt can be found in Note 8 on pages 111-121 of this report.

Economic Factors and Next Year's Budget and Rates

- Milwaukee County unemployment rate decreased from 6.0% in 2007 to 5.9% in 2008. The national average unemployment rate for 2008 was 6.5%.
- Equalized value of taxable property increased to \$ 68.2 billion in 2008 from \$ 67.1 billion in 2007.

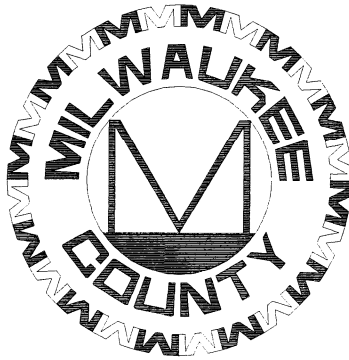
During the 2008 fiscal year, the County had a net excess of revenues over expenditures of \$ 4,144 after considering net revenue from operations and changes in reserve

Economic Factors and Next Year's Budget and Rates (Continued)

balances. This excess is identified on the governmental funds balance sheet as a Reserved for 2010 Appropriations, and will be added to the revenue of the 2010 budget.

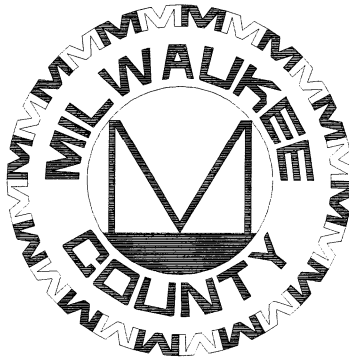
Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Milwaukee County Court House, 901 North 9th Street, Room 308, Milwaukee, WI 53233.



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BASIC FINANCIAL STATEMENTS



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COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2008
(In Thousands)

	Primary Government			Component
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	<u>Units</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 165,634	\$ 44,800	\$ 210,434	\$ 6,397
Cash and Investments -- Restricted	40,224	28,575	68,799	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	13,499	6,955	20,454	2,142
Property Taxes:				
Current Levy	258,479	-	258,479	-
Delinquent	7,195	-	7,195	-
Accrued Interest and Dividends	6,744	-	6,744	1
Notes	1,134	-	1,134	-
Other	14,339	3,493	17,832	-
Due From Other Governments	44,903	5,052	49,955	-
Inventories	1,580	2,944	4,524	63
Prepaid Items	214	316	530	325
Other Assets	-	258	258	-
Total Current Assets	<u>553,945</u>	<u>92,393</u>	<u>646,338</u>	<u>8,928</u>
Noncurrent Assets:				
Long-term Investments	-	-	-	5,492
Contributions Receivable	-	-	-	2,683
Delinquent Property Taxes	8,655	-	8,655	-
Notes Receivable	1,760	-	1,760	-
Deferred Charges	302	-	302	-
Other Post Employment Benefit Asset	-	3,431	3,431	-
Other Assets	-	-	-	615
Capital Assets (Net)				
Land	59,521	21,367	80,888	-
Construction in Progress	8,256	13,755	22,011	-
Land Improvements	241,408	151,796	393,204	-
Buildings and Improvements	645,351	343,207	988,558	38,611
Infrastructure	150,112	-	150,112	-
Machinery, Vehicles and Equipment	141,995	152,692	294,687	12,520
Less: Accumulated Depreciation	(619,422)	(328,359)	(947,781)	(21,447)
Total Capital Assets (Net)	<u>627,221</u>	<u>354,458</u>	<u>981,679</u>	<u>29,684</u>
Total Noncurrent Assets	<u>637,938</u>	<u>357,889</u>	<u>995,827</u>	<u>38,474</u>
Total Assets	<u>\$ 1,191,883</u>	<u>\$ 450,282</u>	<u>\$ 1,642,165</u>	<u>\$ 47,402</u>

The notes to the financial statements are an integral part of this statement.